FedFin Daily Briefing

IMF Charts USD Decline

The IMF today published a blog in its Chart-of-the-Week series portraying the declining status of the US dollar as the global reserve currency. As noted last week (see *Client Report* **CBDC13**), the dollar's dominance is a core Congressional and FRB criterion when considering the need for a U.S. CBDC and this report may increase calls by some in Congress for more rapid action (see FSM Report **CBDC4**). The post highlights the dollar's dip below 59 percent of global foreign-exchange reserves in the final quarter of 2021, but also states that the euro, yen, and pound have not replaced it, nor has the renminbi, which now accounts for only a quarter of the shift from the dollar in recent years due in part to Russia's holding of nearly a third of global renminbi reserves. Reserve currencies of smaller countries, including those of Australia, Canada, South Korea, and Sweden, account for three quarters of the move from the dollar. The IMF highlights the combination of high returns and low volatility as well as financial technology like automatic market making to explain the recent success of these non-traditional reserves, but principally attributes this shift to the transparent policies, economic stability, and good governance associated with these countries.

IMF Presses Central Banks to Go Green

A senior IMF advisor, Tobias Adrian, today argued that central banks should include sustainability considerations not only in their financial-stability and monetary-policy analyses, but also in their balance sheets. This follows comments earlier today from President Lagarde that the ECB has an "open mind" about using the central bank's lending facilities to foster the transition to carbon neutrality. Mr. Tobias also called for expanded regulatory capacity around climate-related financial risks, improved climate data and information systems to augment sustainable finance markets – especially in developing countries, and mobilization of public and private financing to mitigate climate risks.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click here.

➢ **GSE-060122:** As detailed in our new in-depth report, the CFPB has issued another sweeping rule by way of a seemingly innocuous circular not subject to public notice and comment.

➢ **FAIRLEND11:** Continuing its use of novel rulings that preclude public notice and comment, the CFPB has issued a landmark ruling on artificial intelligence (AI) and other forms of algorithmic underwriting stipulating lender responsibility for sending out the adverse action notices required under the Equal Credit Opportunity Act (ECOA).

➢ **GSE-052722:** FHFA has finalized its October proposal to create a new qualitative capital and governance disclosure regime, going well beyond the disclosures initially mandated in the final capital rule to instill market discipline long associated with private companies, not conservatorships.

> **CBDC13:** Newly in place as Fed Vice Chair, Lael Brainard today made it clear at an HFSC full committee hearing that her prior statements laying out CBDC benefits are still her thinking despite the considerably more ambivalent approach outlined in the Fed's discussion draft (see FSM Report **CBDC10**).

> **DEPOSITINSURANCE113:** Using a new approach to issuing enforcement edicts – a circular – the CFPB has made use of its controversial decision to bring nonbanks under its ambit to bolster the FDIC's efforts to enhance consumer understanding of which funds are entrusted to FDIC-insured depositories and which may be at greater risk in other hands.

> **CRYPTO27:** Sharp disruptions in cryptoasset markets, and especially those for stablecoins, have energized calls for rapid U.S. statutory and regulatory action along lines initially laid out by the President's Working Group on Financial Markets (PWG).

> **CRA32:** Following much talk about the need to update Community Reinvestment Act (CRA) rules since this was last done in 1995, federal banking agencies have finally agreed on a proposed redesign of standards essential to banks that wish to expand or acquire as well as those seeking strong community ties and the policy and political benefit these afford.

> **GSE-051622:** As we noted last week, the federal banking agencies sighed a mighty sigh and heaved up a massive inter-agency proposal rewriting decades-old standards detailing which activities earn the Community Reinvestment Act (CRA) points essential for any bank's strategic objectives and national reputation.

> **FSOC27**: With stablecoin markets even more distressed than earlier in the week, today's HFSC hearing with Secretary Yellen was even more emphatic than senators two days before on the need for action (see *Client Report* **FSOC26**).

> **FSOC26:** Today's Senate Banking Committee hearing with Secretary Yellen renewed calls for federal legislation based on recent algo-coin losses and resulting digital-currency market volatility.

> **SYSTEMIC93:** In this report, we assess the new Federal Reserve financial-stability report.

> **CRA31:** The FDIC today led the way with release of a long-awaited inter-agency proposal updating decades-old CRA regulation.

> **CLIMATE13:** The FSB's report is aimed at establishing global standards that prevent fragmentation along national or regional lines as well as ensuring that regulatory and supervisory actions mitigate climate risk to the greatest extent possible in the face of an array of data and measurement challenges.

> **INTERCHANGE9:** As anticipated, bankers and card networks squared off with merchants at today's Senate Judiciary hearing addressing credit-card interchange fees.